

Message Text

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ORIGIN EA-14

INFO OCT-01 ADP-00 SS-15 COME-00 NSC-10 DODE-00 OMB-01

CIAE-00 AGR-20 LAB-06 PM-09 L-03 IO-12 EB-11 SIG-02

CU-04 INR-10 AID-20 PC-15 TRSE-00 RSC-01 SNM-02 /156 R

DRAFTED BY EA/ PHL: HFELDMAN; REUSHER: PAW

4/20/73 EXT. 21222

APPROVED BY EA: AWHUMMEL

S/ S- MR. ELIOT USIA (INFO)

EA/ RA: FBENNETT TREASURY(INFO)

NSC: JFROEBEDRAFT)

DOD/ JCS (INFO)

OMB (INFO) DOD/ ISA (INFO)

CIA (INFO) AGRICULTURE(INFO)

COMMERCE (INFO)

LABOR (INFO)

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TO AMEMBASSY MANILA

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E. O. 11652: GDS

TAGS: PFOR, RP

SUBJECT: FY 1974 PHILIPPINE PARA - SECTION I

REF: STATE A-11748 OF 12/4/73

1. IN ACCORDANCE WITH GUIDELINES CONTAINED REPAIR,
DEPARTMENT IN COORDINATION WITH EA/ IG HAS PREPARED DRAFT
SECTION I OF FY 1974 PARA GIVEN BELOW. THIS DRAFT OF
SECTION I HAS BEEN CLEARED WITH NSC STAFF. SUGGESTIONS BY
SOME OTHER EA/ IG PARTICIPANTS ON BASIS OF EARLIER DRAFT
HAVE BEEN INCORPORATED TO EXTENT THAT THESE COULD BE
RECONCILED. SECTION I AND SECTION II (PLUS ANNEXES) WILL
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BE FORMALLY CLEARED WITH EA/ IG AFTER EMBASSY HAS SUBMITTED
SECTION II (PLUS ANNEXES) AND ANY COMMENTS OR SUGGESTED

CHANGES IT MAY HAVE ON SECTION I.

2. EMBASSY SHOULD NOW PREPARE AND SUBMIT SECTION II AND ANNEXES I AND II. IN ORGANIZING SECTION II NARRATIVE, POLICIES LISTED IN DRAFT SECTION I SHOULD BE YOUR STARTING POINT, IN SAME WAY THAT LAST YEAR'S PARA SECTION I OBJECTIVES PROVIDED BASIS FOR PREPARING SECTION II.

3. REQUEST YOUR DRAFT PARA ARRIVE WASHINGTON BY MAY 31.

BEGIN TEXT SECTION I:

SECTION I: U. S. INTERESTS, OBJECTIVES AND POLICIES

A. U. S. INTERESTS

OUR PRIMARY INTEREST IN THE PHILIPPINES IS CONTINUED EFFECTIVE ACCESS TO OUR MILITARY BASE COMPLEX, A COMBINATION OF AIRFIELDS, HARBORS, COMMUNICATIONS, STORAGE, REPAIR, AND TRAINING FACILITIES WHICH PROVIDE HIGHLY IMPORTANT STRATEGIC AND OPERATIONAL ADVANTAGES TO U. S. FORCES OPERATING IN THE SOUTHWEST PACIFIC AND INDIAN OCEAN AREAS.

OUR SECONDARY INTERESTS INCLUDE A SMOOTH TRANSITION FOR U. S.- OWNED FIRMS TO THE POST- LAUREL- LANGLEY SITUATION AND THE MAINTENANCE OF AN ENVIRONMENT IN WHICH AMERICAN TRADERS AND INVESTORS MAY CONTINUE AFTER THE EXPIRATION OF THE AGREEMENT TO HAVE REASONABLY LIBERAL ACCESS TO THE PHILIPPINES.

THE U. S. ALSO HAS A STRONG INTEREST IN THE PRESERVATION OF A VIABLE, SELF- RELIANT, INDEPENDENT PHILIPPINE STATE CHARACTERIZED BY: A) POLITICAL AND SOCIAL COHESION, PREFERABLY UNDER AN OPEN, BROADLY- BASED, AND REPRESENTATIVE POLITICAL SYSTEM; B) AN EXPANDING ECONOMY AND PROGRESS TOWARDS A MORE EQUITABLE DISTRIBUTION OF WEALTH; AND C) A CONSTRUCTIVE ROLE IN REGIONAL AND WORLD AFFAIRS.

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B. U. S. OBJECTIVES

1. SECURITY/ STRATEGIC

-- PRESERVATION OF U. S. BASE RIGHTS AND AUTHORIZATIONS (E. G. USE OF AIR SPACE). TO THIS END WE SHOULD BE WILLING TO MAKE CONCESSIONS ON NON- ESSENTIAL ASPECTS OF OUR BASE ARRANGEMENTS, AS CONTEMPLATED IN NSC- U/ SM 51 OF OCTOBER 20, 1969.

-- MAINTENANCE OF PHILIPPINE CONFIDENCE IN U. S. DEFENSE COMMITMENTS (SEE SECTION C.1.), IN ORDER TO REDUCE PRESSURE ON OUR ACCESS TO BASES AND TO REDUCE MOVEMENT TOWARD A NON- ALIGNED FOREIGN POLICY.

-- USING 1972 AS A BASE YEAR, YEAR- BY- YEAR IMPROVEMENT IN PHILIPPINE MAINTENANCE OF INTERNAL SECURITY AS INDICATED BY A DECLINE IN DOMESTIC VIOLENCE.

-- USING 1972 AS A BASE YEAR, YEAR- BY- YEAR INCREASES IN GOP FINANCING, AS A PERCENTAGE OF ITS NATIONAL BUDGET, OF ITS OWN MILITARY PROCUREMENT.

2. POLITICAL

TO REASONABLY ENSURE PROTECTION OF OUR MILITARY/ SECURITY, ECONOMIC, AND POLITICAL INTERESTS IN THE PHILIPPINES, WE WOULD LIKE TO SEE OVER THE NEXT FIVE YEARS:

-- PROGRESS TOWARD A STABLE, EFFECTIVE GOVERNMENTAL SYSTEM.

-- GROWING POLITICAL AND SOCIAL COHESION, PARTICULARLY THROUGH ELIMINATION OF THE RURAL AND URBAN COMMUNIST INSURGENCY, THE RESOLUTION OF MUSLIM- CHRISTIAN COMMUNAL DIFFERENCES, AND A GENERAL REDUCTION IN VIOLENCE AND LAWLESSNESS.

-- EFFECTIVE MEASURES TO REFORM THE ADMINISTRATIVE AND JUDICIAL BUREAUCRACIES AND TO REDUCE CORRUPTION.

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-- CLOSER BILATERAL AND MULTILATERAL TIES WITH THE OTHER MEMBERS OF ASEAN AND WITH JAPAN, WHICH WOULD CONTRIBUTE TO THE GROWTH OF REGIONAL STABILITY.

-- CONTINUED COOPERATION WITH THE U. S. TO SUPPRESS DRUG TRAFFIC AND ADDICTION.

3. ECONOMIC/ COMMERCIAL

PRIMARILY TO PROTECT OUR ECONOMIC INTERESTS IN THE PHILIPPINES, BUT ALSO AS A CONTRIBUTION TO A STABLE POLITICAL ENVIRONMENT, WE WISH TO SEE IN THE NEXT FIVE YEARS:

-- MAINTENANCE OF NATIONAL GOALS LEADING TO AN ANNUAL GROWTH RATE OF GNP OF 7 PERCENT.

-- CONTINUATION OF POLICIES SEEKING TO REDUCE THE

POPULATION GROWTH RATE FROM 3.1 PERCENT TO 2 PERCENT.

-- AGREEMENT WITHIN THE INTERNATIONAL CONSULTATIVE GROUP FOR THE PHILIPPINES, AND BETWEEN THE GROUP AND THE GOP, ON PRIORITIES, GOALS AND INPUTS OF A REALISTIC DEVELOPMENT PROGRAM.

-- PRAGMATIC GOP ECONOMIC POLICIES WHICH WILL LEAVE THE ESTABLISHED FREE- ENTERPRISE SYSTEM FREE TO FUNCTION EFFECTIVELY AND THEREBY PROVIDE OPPORTUNITIES FOR INCREASING U. S. EXPORTS; EXPAND PHILIPPINE EXPORTS; DEAL EFFECTIVELY WITH BALANCE OF PAYMENTS AND DEBT-SERVICING PROBLEMS; INCREASE FOREIGN PRIVATE CAPITAL

INVESTMENT IN THE PHILIPPINES AS A STIMULUS TO ECONOMIC GROWTH; PROVIDE FOR A SMOOTH TRANSITION TO THE POST- LAUREL- LANGLEY SITUATION; AND CREATE AN ENVIRONMENT IN WHICH FOREIGN (INCLUDING U. S.) FIRMS ARE ALLOWED TO OPERATE FOR THE BENEFIT OF BOTH THE PHILIPPINES ECONOMY AND THE FIRMS THEMSELVES.

C. U. S. POLICY FRAMEWORK

1. COMMITMENTS AND AGREEMENTS

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U. S. DEFENSE AND SECURITY RELATIONS WITH THE PHILIPPINES ARE GOVERNED BY THE MILITARY BASES AGREEMENT OF 1947 AS AMENDED; THE MUTUAL DEFENSE TREATY OF 1951; AND THE SEATO AGREEMENT. THE LATTER TWO COMMIT THE U. S. TO THE DEFENSE OF THE PHILIPPINES. IN ADDITION, THE MUTUAL DEFENSE ASSISTANCE AGREEMENT OF 1953 COMMITS US TO A MILITARY ASSISTANCE PROGRAM.

THE LAUREL- LANGLEY AGREEMENT, WHICH REGULATES OUR TRADE AND INVESTMENT RELATIONSHIPS WITH THE PHILIPPINES, WILL EXPIRE ON JULY 3, 1974 AND WILL NOT BE RENEWED. AS PRESIDENT NIXON HAS SAID, THE SPECIAL AND RATHER PATERNALISTIC RELATIONSHIP BETWEEN THE UNITED STATES AND THE PHILIPPINES SHOULD BE REPLACED BY ONE MORE APPROPRIATE TO TWO INDEPENDENT SOVEREIGNTIES.

2. POLICIES

(A) SECURITY/ STRATEGIC

-- WE SHOULD ENDEAVOR TO AVOID ESTABLISHMENT OF A DIRECT LINKAGE BETWEEN U. S. MILITARY ASSISTANCE AND CONTINUED EFFECTIVE ACCESS TO U. S. MILITARY BASES IN THE PHILIPPINES. MILITARY ASSISTANCE SHOULD BE PROVIDED,

HOWEVER, IN AN AMOUNT WHICH, IN CONJUNCTION WITH OTHER U. S. PROGRAMS INCLUDING OTHER FORMS OF ASSISTANCE, WILL ASSURE THE DESIRED CONTINUED EFFECTIVE ACCESS TO THE BASES. IN THIS CONTEXT, MILITARY ASSISTANCE SHOULD BE PLANNED AND REQUESTED IN THE AMOUNT OF DOLS 20-25 MILLION ANNUALLY.

-- IN ORDER TO MAINTAIN PHILIPPINE CONFIDENCE IN OUR COMMITMENT TO DEFEND AGAINST EXTERNAL AGGRESSION, WE SHOULD STATION AMERICAN MILITARY UNITS AT OUR BASES IN THE PHILIPPINES AT LEVELS APPROPRIATE TO OUR COMMITMENT AND THE THREAT TO THE PHILIPPINES. ADDITIONALLY, WE SHOULD CONTINUE TO PROVIDE INFORMATION TO THE GOP ON PROJECTED NEAR- TERM U. S. FORCE LEVELS IN EAST ASIA.

-- IN ORDER TO IMPROVE THE PHILIPPINE ABILITY TO MAINTAIN INTERNAL SECURITY, WE SHOULD CONTINUE TO TAILOR MAP TOWARD THIS GOAL RATHER THAN ATTEMPT TO BUILD A
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SIGNIFICANT PHILIPPINE CAPABILITY TO COPE WITH EXTERNAL AGGRESSION.

-- WE SHOULD STRESS TO THE PHILIPPINE GOVERNMENT THE IMPORTANCE OF LINKING MILITARY PLANNING PRIMARILY TO THEIR OWN FINANCIAL CAPABILITIES; WE SHOULD COUNSEL THEM AGAINST ACQUISITION OF MILITARY HARDWARE ITEMS WHICH ARE UNNEEDED, TOO EXPENSIVE OR TOO SOPHISTICATED FOR ADEQUATE FILIPINO MAINTENANCE; TO THE EXTENT POSSIBLE, WE SHOULD SHAPE MAP IN PART TO PROMOTE AN INDIGENOUS MILITARY MANUFACTURING CAPABILITY WITH INITIAL EMPHASIS ON CONSUMABLE ITEMS (E. G. AMMUNITION).

-- WE SHOULD CONTINUE TO BE RESPONSIVE TO PHILIPPINE DESIRES TO WORK OUT A DRAFT UPDATED MILITARY BASES AGREEMENT (MBA) BUT SHOULD NOT TAKE THE INITIATIVE IN PROPOSING RENEWAL OF THESE NEGOTIATIONS.

(B) POLITICAL

-- THE USG WILL CONTINUE TO DEAL WITH THE MARCOS ADMINISTRATION AS THE EFFECTIVE GOVERNMENT OF THE PHILIPPINES.

-- IN ADMINISTERING THIS YEAR'S AID PROGRAM AND IN PLANNING FOR FUTURE YEARS, WE SHOULD CONTINUE TO CONSIDER THE IMPACT OF PROJECTS ON POLITICAL AND SOCIAL COHESION AS WELL AS CONSIDERING PURELY ECONOMIC CRITERIA.

-- WE SHOULD ENCOURAGE CONSULTATIONS AND CLOSE COORDINATION OF FOREIGN POLICY WITH THE PHILIPPINES' ASEAN

PARTNERS; AND AN ACTIVE, RESPONSIBLE FILIPINO ROLE IN ASEAN ITSELF; WE SHOULD ALSO ENCOURAGE CONSULTATION BETWEEN THE PHILIPPINES AND JAPAN ON MATTERS OF MUTUAL INTEREST.

-- WE SHOULD CONTINUE TO WORK WITH THE PHILIPPINE GOVERNMENT TO COMBAT NARCOTICS TRAFFIC AND ADDICTION.

(C) ECONOMIC/ COMMERCIAL

-- ASSUMING THAT THE MARCOS ADMINISTRATION WILL CONTINUE TO BE THE EFFECTIVE GOVERNMENT, AND GIVEN THE U. S. SECRET

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INTERESTS IN IMPROVED LONG- TERM STABILITY IN THE PHILIPPINES, THE USG WILL CONTINUE SECURITY AND ECONOMIC ASSISTANCE TO THE PHILIPPINES ON THE BASIS OF CONTINUED COOPERATION FROM THE MARCOS ADMINISTRATION IN OUR PURSUIT

OF FUNDAMENTAL U. S. INTERESTS IN THE PHILIPPINES AND IMPLEMENTATION BY THE MARCOS ADMINISTRATION OF MEASURES AIMED AT LONG- TERM STABILITY FOR THE PHILIPPINES.

(FOLLOWING MAY BE ALTERED IN SOME RESPECTS IN LIGHT OF GUIDANCE ON TRADE AND INVESTMENT CURRENTLY BEING PREPARED IN WASHINGTON.)

-- WE SHOULD COORDINATE OUR ECONOMIC ASSISTANCE PLANNING AND INPUTS WITH THE ACTIVITIES OF THE INTERNATIONAL CONSULTATIVE GROUP FOR THE PHILIPPINES AND WITH OTHER MULTILATERAL ENTITIES SUCH AS THE IMF AND IBRD.

-- WE SHOULD URGE THE PHILIPPINE GOVERNMENT TO WORK CLOSELY WITH THE CONSULTATIVE GROUP AND IMF- IBRD IN FORMULATING ITS OWN ECONOMIC DEVELOPMENT PLANS AND SOLUTIONS.

-- IN FURTHERING OUR OBJECTIVE OF A MORE EQUITABLE DISTRIBUTION OF WEALTH, WE SHOULD ENCOURAGE THE PHILIPPINE GOVERNMENT TO FORMULATE EMPLOYMENT AND OTHER POLICIES, INCLUDING POPULATION/ FAMILY PLANNING, WHICH SHOULD STEADILY BROADEN PARTICIPATION IN THE RETURNS FROM ECONOMIC DEVELOPMENT.

-- WE SHOULD NOT SEEK EXTENSION OF THE LAUREL- LANGLEY AGREEMENT, DUE TO EXPIRE ON JULY 3, 1974, NOR SHOULD WE SEEK TO MAINTAIN A SPECIALLY- PRIVILEGED STATUS FOR AMERICAN BUSINESS INTERESTS IN THE PHILIPPINES. NEVERTHELESS, WE SHOULD EMPHASIZE TO THE PHILIPPINE GOVERNMENT THAT FAIR TREATMENT FOR EXISTING PRIVATE AMERICAN BUSINESS INTERESTS AND A LIBERAL TRADE AND FOREIGN INVESTMENT POLICY CON-

TRIBUTE TO ECONOMIC DEVELOPMENT AND THUS ARE IN THE PHILIPPINES' OWN BEST INTEREST.

-- IN DISCUSSION OF TRADE MATTERS WITH THE PHILIPPINE
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GOVERNMENT, WE SHOULD NOTE FRANKLY THAT CONTINUATION OF SPECIAL AND REVERSE BILATERAL TARIFF PREFERENCES FOR THE PHILIPPINES IS INCOMPATIBLE WITH PRESENT U. S. TRADE POLICY. WE SHOULD NOTE OUR WILLINGNESS, HOWEVER, TO ACCOMMODATE PHILIPPINE INTERESTS TO THE EXTENT WE CAN WITHIN THE FRAMEWORK OF OUR OVERALL TRADE POLICY. WE SHOULD NOTE OUR WILLINGNESS TO NEGOTIATE A TREATY OF AMITY AND ECONOMIC RELATIONS OR SIMILAR INSTRUMENTS, BUT SHOULD AVOID BEING DRAWN INTO ACROSS- THE- BOARD NEGOTIATIONS WHICH LINK TRADE AND INVESTMENT ISSUES WITH BASES, MILITARY ASSISTANCE OR ECONOMIC DEVELOPMENT AID. WE SHOULD ENCOURAGE PHILIPPINE ACCESSION TO THE GATT. PORTER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 07 MAY 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 21 APR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE075778
Document Source: ADS
Document Unique ID: 00
Drafter: EA/ PHL: HFELDMAN; REUSHER: PAW
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730460/abqcemln.tel
Line Count: 348
Locator: TEXT ON-LINE
Office: ORIGIN EA
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: STATE A-11748 OF 12/4/73
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 03 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03-Dec-2001 by shawdg>; APPROVED <22 FEB 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> srp 980128; srp 980128
Subject: FY 1974 PHILIPPINE PARA - SECTION I
TAGS: PFOR, RP
To: MANILA INFO USIA
CINCPAC
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005